RECREATION & SPORT

DEFINING THE ROLE OF THE PUBLIC AND PRIVATE SECTOR

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DEFINING THE ROLE OF THE PUBLIC AND PRIVATE SECTOR

The structure of Canada's Recreation and Sport delivery systems has evolved over the last 80 years , in marked contrast to the delivery systems for other social services, most notably education and health. The drive in both these services has been to ever increasing levels of professional control, and ever escalating costs. Some of these professional pressures have been evident in recreation largely over the last 20 years, but the system remains one characterized by volunteer provision of opportunities, local decision-making regarding levels of service provision, and a high level of public satisfaction over value-for-money.

The system that has evolved has three main sectors -

* the **public sector** where federal and provincial governments are active in a support and funding role, but the main providers of direct services are at the local municipal level.

* the **private non-profit sector** - where almost 10% of Canada's population is active in some recreational or athletic group, helping others and helping themselves for no wage cost.

* the **private commercial sector** - where recreation and sport programs, as well as a wide range of goods and services are provided to Canadians by commercial ventures.

This paper addresses two interlinked issues:

a) how is the balance between the public sector and the two private sectors changing, and what needs to be done to encourage a stronger private sector.

b) how can action by the public sector encourage growth of the total system, so that its contribution to the overall economy and to the lives of Canadians can be enhanced.

THE QUESTIONS FOR GOVERNMENT IN 1984

A. Is Recreation and Sport a public or a private good?

Much economic debate in the 1980's, has focussed on the ever-expanding nature of public enterprise. While the debate has been wide ranging, one line of argument focuses on which goods should be provided by the public sector, and which should be privately provided. This question can validly be asked of recreation and sport.

The economic rules for determining 'public goods' are as follows:

i) does the consumption of the good by one person, limit the opportunity of another person to consume the good?

ii) is it possible to exclude someone from consuming the good?

If the answers to these questions are 'no', then the good has the characteristics of a 'public good' and, as such, could or should be provided by the public sector. If the answers are 'yes', then the good has the characteristics of a private good.

There may often be valid reasons why private goods are publicly provided, and vice-versa, but the political trend has been to abide more precisely to the economic rules. An example is the recent privatization of provincial park ski areas in British Columbia.

CASE STUDY - PRIVATIZATION OF PROVINCIAL PARK SKI AREAS

In 1983 the Ministry of Lands, Parks and Housing commissioned an evaluation of ski operations in Manning Park and Cypress Park by a firm of management consultants.

After studying the areas as a private business enterprise, the consultants concluded that although they were not presently viable as a commercial operation, through expansion, both areas could achieve a level of profitability that would attract business investment by the private sector.

The study determined that expansion of facilities was viable in each area and that investment in additional new facilities would improve the profit picture. To achieve a reasonable level of operating profit the consultant's models of area development called for capital expenditures in Manning Park. Even though projected profits were below industry norms, and in particular the expectations of large corporations, the consultants advised that government could expect to receive offers to purchase the businesses involved. They indicated that the most likely candidates were small family-oriented business investors.

The government accepted the consultant's recommendations and conducted a call for proposals for the purchase of the businesses in each park. Each of the operations, including improvements, has been successfully sold and the lands containing the improvement leased for a period of 50 years. In outlining their intent the new owners have indicated they will be expanding the existing developments to create new recreational opportunities for the people of British Columbia. All improvements will require approval by the Minister of Lands, Parks and Housing.

This case study highlights a changing public role:

a) where private goods have been publically provided at some point in the past, a review of the appropriateness of this provision should be conducted at regular intervals to determine the continued wisdom of the original decision.

b) there will often continue to be a role for the public sector, even if the facility is turned over to the private sector. In this case it was a change from 'provider' to 'reviewer' - but in the opinion of the Provincial Government, the public interest was better served in this manner.

Recommendation

* that provincial governments review their programs to determine where private goods are being publically provided, and establish guidelines for the periodic review of the appropriateness of such provision.

* that provincial governments encourage municipal governments to carry out similar reviews.

B. What is the Economic Impact of Recreation and Sport?

Over the past 20 years, recreation and sport have moved to occupy central positions within our culture. This has, in part, been caused by the decline of other institutional factors such as religion and the family, and, in part, by the increasing affluence and decreasing work-orientation of our society. These and other factors contribute to the economic growth in this sector.

A recent review of the economic impact of recreation and sport in British Columbia gives some indication of the sector's economic magnitude.

THE ESTIMATED ECONOMIC SIGNIFICANCE OF RECREATION IN BRITISH COLUMBIA IN 1983, AS MEASURED BY EXPENDITURES

	Category of Expenditure	Estimated Value	%
1.	Direct Recreation Expenditures by Families and Individuals	$4,245,396,350	74.8
2.	Commercial Sector Retail Sales of Recreation Goods and Services Not Included in Item 1. 1981	989,857,700	17.4
3.	Voluntary Recreation Association Expenditures (1982) Not Included in Items 1-2 and 5-7	13,108,557	.2
4.	Municipal Government Expenditures on Recreation and Parks, etc. (1980)	236,343,000	4.2
5.	Provincial Government Expenditures on Recreation, Culture, Tourism, etc. (1981)	89,686,000	1.6
6.	Federal Government Expenditures on Recreation, Culture, Tourism, etc. (1980-81)	102,581,270	1.8
TOTAL DIRECT EXPENDITURES		5,676,972,850	100.0
MULTIPLIER EFFECT (at value of 1.67)		3,803,571,700	
TOTAL ECONOMIC SIGNIFICANCE		$9,480,544,500	

Obtaining this assessment of economic impact required considerable statistical detective work, and Appendix A provides details of the sources of these figures. As our economy evolves, it is necessary for the statistics which are kept on it to evolve. At present the magnitude of the sector can only be estimated, and if policy decisions are to be made, an improved statistical data base is essential.

There seems, however, no doubt that governments who fail to recognize the economic impact of recreation and sport and who fail to formulate policies to maximizing it, will miss out on its benefits.

Recommendation

* **that statistics on the recreation and sport industries be collected**

C. What implication does the increase in participation have for the public sector?

Ten years ago, Canadians were told about the 30 year old Canadian and the 60 year old Swede; and they took that message to heart.

The 1981 Canada Fitness Survey, and the various statistics from Participaction, have confirmed that there has been a staggering growth in sport and fitness participation levels.

It is very difficult to find a simple answer to the question 'why', but there is little doubt that the growth has been made possible because there were opportunities for people to participate. This participation was made possible by the volunteer structure of the private non-profit sector - the National and Provincial Sport Governing Bodies, all the way down to the little league softball and pee-wee hockey organized by local recreation and community sport agencies.

These volunteer agencies receive funding from the public sector, Provincial Governments in particular, and without which they could not operate at anything like the level of effectiveness that is evident.

CASE STUDY #2 - THE OUTDOOR RECREATION COUNCIL OF BRITISH COLUMBIA

The Outdoor Recreation Council is the 'umbrella' group which represents all the non-public agencies with specific interests in outdoor recreation. One of their aims is to increase access to and use of 'the Great Outdoors'. They receive core administrative funding from the Provincial Government which amounts to $80,000 or 1/4 of their annual operating budget. They employ a full-time staff of three people.

In 1983/4 they applied to the Federal Government for Canada Works Grants to employ students to improve trails. They received $1.6m and hired over 300 students, providing the equivalent of 120 full-time, year-round jobs - at a time when student summer employment was extremely difficult to obtain. The economic value of improved trails was $1.8m, a benefit which accrued to the British Columbia public.

The organizing of this project was done by the full-time, paid staff of the Outdoor Recreation Council and would not have been possible without the core funding provided by the British Columbia government.

Recommendation

* **that the government recognize the role played by Provincial Sport Governing Bodies and recreation commissions in organizing the delivery system and providing opportunities, and continue to provide the core funding without which these agencies cannot continue functioning at their present level, let alone an expanded, level.**

D. How are the local delivery systems changing in response to fiscal restraint?

Organizations at the local level have evolved to meet the increased demand for services. The social affluence and increased expectations of the 1970's put pressure on government to respond. Consequently there was:

a) a consolidation of lobbying at the provincial and national levels
   - the increased availability of public funds in the 1970's led to the organization and establishment of pressure groups to access these funds.

b) an increased expectation of and dependence on government funding
   - the growth of government funding in the 1970's has produced an expectation that government will continue to provide funding.

These two trends have together produced a 'blurring' of the boundaries between public and private. This trend is by no means limited to recreation and sport, but is evident in most areas of public service provision. The major advantage of this 'blurring' has been the provision of services at a unit cost below that which the public sector could meet; the disadvantage is a loss of control over the quality of the service and recognition by the general public of the use of taxpayers dollars.

c) increased activity levels of organizations and an increased use of and demand for volunteers

- as organizations have grown, so have their need for volunteers. This has, in turn, led to an expectation of increased service levels in the particular area in which the organization is working. These volunteer organizations provide recreation and sport opportunities at an extremely low cost, and one of the major ways in which the government can support them is through the training of volunteers.

d) Increased co-operation between public and volunteer agencies at the community level, and a change of role for full-time staff from service providers to facilitators.

- municipalities and sport organizations have followed this trend, in order to ensure service provision at a reduced unit cost, often providing more services for fewer dollars. Reduction of service levels for these organizations is often as difficult as for a public agency to achieve.

These two trends have produced a difficult situation for the private commercial sector, since it is virtually impossible for them to match the operating costs where

* deficits are met out of tax revenues, and
* services are provided by volunteers with much lower operating costs.

Often the private commercial sector relied on the quality of facility and service to safeguard their market, but in many cases municipalities were happy to move in on the market that local commercial clubs had created.

At the same time, public agencies have been placed under pressure to ensure that the fees for services pay for a greater proportion of operating costs - more closely matching commercial sector pricing policies.

CASE STUDY - OAK BAY RECREATION vs. THE RACQUET CLUB

The Racquet Club of Greater Victoria was established in the early years of this century, and moved to a new custom built facility in 1967. These facilities originally included outdoor tennis courts, ice hockey arena, curling rink and an outdoor pool but later several indoor tennis courts and squash courts were added.

In 1970 the Oak Bay Parks and Recreation Dept. had a full time staff of 15, and an annual operating budget of less than $500,000. In 1974 a major Recreation Centre less than five miles from the Racquet Club was opened which included a 37 m swimming pool with associated whirl pools, saunas, etc. ,an ice arena and curling rink. It was built at a cost of over $2,000,000. In 1976 an air supported bubble covering 3 tennis courts was added next to the Recreation Centre on land obtained at no cost from the local school district.

By 1979 the year that the Racquet Club first went into receivership, the Recreation Dept. had a staff of over 50 and operating expenditures of $2,700,000. The Racquet Club subsequently reopened, but its continued commercial operation has been in doubt on several occasions.

Recommendations

- **that the public sector recognize the lobbying activities of organizations and avoid funding organizations who are principally lobbyists.**

- **that the public sector ensure that the distinction between public and private agencies is clarified for the taxpayer.**

- **that provincial governments organize their funding so as to reward independence and penalize dependence on government funding.**

Recommendations ....

* that government should clearly articulate the policy areas in which they will, and will not, participate directly. One area in which they should be active is the training of volunteers.

* that provincial governments review the degree to which government supported agencies directly compete with the private commercial sector, and if needs be, establish guidelines to ensure fair market competition. This may include revisions to the Municipal Act and the establishment of tax incentives for the private commercial sector.

* that the Provincial Government encourage the partnership of private and public sectors, by producing information on innovative arrangements that currently exist.

E. How should the increase in 'forced leisure' change the role of the public sector?

Leisure time has increased in the 1980's, not only due to shorter work weeks, longer vacations, etc, but through higher unemployment, increased part-time work, and job sharing. Thus the down-turn in the economy has caused an up-turn in recreation which consequently has had a marked impact on the economy through increased consumption of leisure goods and services.

Not only has there been this counter-cyclical effect, but often the growth in the leisure industries has come through the establishment of small businesses, capitalizing on market openings perceived by active recreation and sport participants. This is the market economy working at its best (a fine example of what economists term 'perfect competition')

Recommendation

* that the government recognize the counter-cyclical nature of the leisure industry and realize that investment in this sector will have a more marked social and economic impact because of it.

* that provincial governments be active in providing consultant support to assist entrepreneurs in establishing themselves, and in providing the taxation environment so that they can prosper and grow.

F. How should public sector fee structures be revised in response to the new demographic reality?

British Columbia's and Canada's populations are aging and this has implications for traditional public sector fee structures. The predominant age group is no longer the youth (0/24), but the young adult (25/34) and the middle aged (35/49).

A strong argument can be made for public provision of essentially 'private goods' in the area of recreation, when the public provision is necessary either to facilitate a major capital project whose amortization period is too long to be acceptable to the private sector, or when the age group to which the project is directed is one for which the public has a 'sacred trust', such as its youth.

The growth of public recreation in the 1960's and 1970's, and in particular the facility boom of the 1970's, could have been justified on both these grounds.

However the changing age structure to which we are now adjusting calls both these arguments into doubt:

a) the participation boom has increased demand to the point at which certain facilities could provide an economic return in a timeframe which may be acceptable to the private sector.

b) further facilities are not required for the age group for which the public has that sacred trust, but a growth in facilities is required for the older age groups. The question is whether these facilities should be provided by the public sector.

Recommendation

* that Provincial Governments consider focusing assistance for community recreation and sport facilities on:
  a) maintaining the public investment in existing facilities
  b) providing facilities whose clientele will be primarily the 0/24 years age group
  c) providing facilities where the economic return is such that the private sector will not become involved.

* that Municipal Governments be encouraged to review their fee structures in light of the changing age structure.

G. How will increased commercial sponsorship in Recreation and Sport affect the role that government should play?

Sport and Recreation have always attracted commercial sponsorship. As an activity to be associated with, they portray the right image for product identification - one of enjoyment, achievement and excellence. This has been true through the full range of activities - from the Olympics to Little League Baseball.

In the last ten years however, the boom in sport and recreation has led to increased media interest and commercial involvement. One example is the explosion in value of the television coverage rights of the Olympics:

Summer 1976 (Montreal)	$5m
Summer 1984 (Los Angeles)	$225m

(ABC Television are reported to have made a $55m profit on this investment)

Winter 1980 (Lake Placid)	$15m
Winter 1988 (Calgary)	$305m

This media support has moved commercial sponsorship into a new league. There is no doubt that this additional funding can increase both the participation levels of B.C. and Canada, and as such should be encouraged.

The marketing of recreation and sport to commercial sponsors is an area in which Provincial Governments can provide considerable support and assistance. One method of assistance that has been particularly well received is the Ontario Sport Marketing Institute - this could well serve as a model for other provinces to follow.

Recommendation

* that the Provincial Government recognize the growing desire for commercial sponsorship of sport and recreation, and work actively to encourage this financial involvement.

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NOTES:

(1) Based on figures derived from Statistics Canada, Family Expenditures in Canada, 1978, with inflation factor of 0.3 for period of 1978-83.

(2) The process used for the estimates relies on the procedures established by T. Burton in The Economic Significance of Recreation in Alberta, Department of Recreation and Leisure Studies, University of Alberta.

(3) Assumes that one-half of the difference between total value of recreation products and receipts of commercial sector ($6,225,111,700) and direct family recreation expenditures ($4,245,396,350), which is $1,979,715,400 divided by 2 = $989,857,700, has not been accounted for in Item 1. These figures are assumed for 1983. (This formula drawn entirely from Burton).

(4) Consists of Voluntary Recreation Association receipts from Gaming Activities (Net Profits of $7,797,112) plus portion of Total Expenses from Profile of Voluntary Associations which did not consist of grants ($5,311,445). Figures assumed for 1983.

(5) See Section 7, Table 7.2, Burton (Figures assumed for 1983)

(6) See Section 7, Table 7.3, Burton (Figures assumed for 1983)

(7) See Section 7, Table 7.4, Burton (Figures assumed for 1983)

(8) Multiplier is the same one used by Burton.